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Statement submitted by Company of the Daughters of Charity of St. Vincent de Paul, a non-governmental organization in consultative status with the Economic and Social Council

The Secretary-General has received the following statement, which is being circulated in accordance with paragraphs 30 and 31 of Economic and Social Council resolution 1996/31.

* E/2010/100.

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Statement

Development cooperation in times of crisis: debt relief

Debt relief is among the measures and initiatives aimed at ensuring long-term debt sustainability, as called for by the General Assembly in its resolution 64/191, paragraph 21. Debt cancellation can play a key role in freeing resources in developing countries, including middle-income countries with an unsustainable debt burden, for efforts to achieve the Millennium Development Goals. All countries need to have policies to implement their national integrated development strategies.

Debt cancellation and a debt moratorium are two effective measures that can be easily implemented in regard to unilateral loans. Appropriate temporary debt moratoriums (interest-free debt standstills) would be an effective way to release financial resources, otherwise needed for external debt payments, for critical social investment. At the same time, no additional debt would be incurred.

Providing grants with no conditionalities rather than loans would lessen the risk of countries falling into debt distress and serve as a protection from the threat of a new debt crisis. An international sovereign debt work-out mechanism is urgently needed to deal with the unsustainable debt faced by a growing number of countries facing high-debt burdens. The 2008 Doha Declaration on Financing for Development (see General Assembly resolution 63/239, annex, para. 60) stated that debt service accounted for a significant portion of the fiscal budget and was still unsustainable in a number of developing countries. The existing international debt resolution mechanisms were creditor-driven, while taking into account country situations. More efforts were needed through international debt resolution mechanisms to guarantee equivalent treatment of all creditors, just treatment of creditors and debtors and legal predictability. According to Eurodad, such an agreement ratified by most nations would be extremely helpful, but it must be independent of any creditor institution in order to insure broad-based support.

We urge countries to:

- Follow the example of Norway in forgiving debts to heavily indebted poor countries, as well as low- and middle-income countries
- Implement a tool of a moratorium on debt servicing for middle-income and low-income countries that have difficulties with their debt burdens as a result of crises and exogenous shocks. For example, given the impact of the financial and economic crisis on developing countries, a five-year moratorium in countries having difficulties can release some resources to meet the Millennium Development Goals
- Provide grants rather than loans to developing countries during this time of financial recession
- Support an international treaty that would define a sovereign debt work-out mechanism that would be legally binding on all countries